



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

December 17, 2007

AGENDA ITEM 9b

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** General Pension Consultant Services Spring-Fed Pool Request for Proposal
- II. PROGRAM:** Supplemental Income Plans Division
- III. RECOMMENDATION:** Approve the issuance of a Request for Proposal to add consultants to the General Pension Consultant Services Pool

IV. ANALYSIS:

General Pension Consultant Pool Request for Proposal

In May 2007, the Supplemental Income Plans (SIP) underwent a first phase of fund enhancements. In this first phase, the fund line-up was improved through the addition of more internally managed CalPERS funds, the use of new external managers, and the addition of target retirement date funds.

State Street Global Advisors is currently managing the target retirement date funds. By creating custom CalPERS target retirement date funds in the line-up, staff believes we will be able to improve the quality and cost-effectiveness of the offering.

Staff has determined that to develop these customized CalPERS target retirement date funds, the services of a consultant with experience in this specific area will ensure that we have the expertise necessary to develop state of the art funds. Staff requests approval to issue a Request for Proposal (RFP) to refresh

the General Pension Consultant Services Spring-Fed Pool to search for consultants with this experience.

Staff will then select a consultant to advise on the development and asset allocation strategies for CalPERS target retirement date funds. It should be noted that consultants added to the pool can be used for other purposes in the scope of the General Pension Consultant Services Pool by the Investment Committee or staff.

If approved, the RFP to refresh the General Pension Consultant Services Spring-Fed Pool will be issued on December 20, 2007 and finalist approval brought to the Investment Committee on February 19, 2008. These funds will be developed and along with other enhancements to the fund line-up, presented to the Investment Committee in mid 2008. It is our intention to launch the new second phase of the improvements to the line-up in late 2008.

V. STRATEGIC PLAN:

Enhancing the Supplemental Income Plan addresses multiple CalPERS Strategic Plan Goals including:

- Goal VI to administer pension benefit services in a customer oriented and cost effective manner;
- Goal VII to enable and educate members and employers to make informed decisions leading to a predictable and secure retirement futures; and
- Goal IX to achieve long-term, sustainable, risk adjusted returns.

VI. RESULTS/COSTS:

As the SIP leverages the existing CalPERS investment expertise, CalPERS managed funds are less expensive than externally managed funds. This is a benefit to SIP members as all costs are paid by participants based on the funds selected and the amount of assets being invested. The one time cost to engage a consultant to develop the custom target retirement date funds is expected to be approximately \$70,000 - \$100,000. An annual ongoing fee to review the funds' asset allocation would be significantly less at approximately \$30,000. These expenses will be paid from fees collected from participants.

Members of the Investment Committee
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Geraldine Jimenez, Division Chief
Supplemental Income Plans Division

Anne Stausboll
Chief Operating Investment Officer

Russell Read
Chief Investment Officer